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FM AMCONSUL LAGOS  
TO RUEHC/SECSTATE WASHDC 8537  
INFO RUEHZK/ECOWAS COLLECTIVE  
RUEHUJA/AMEMBASSY ABUJA 8365  
RUEHWR/AMEMBASSY WARSAW 0158  
RUEHCD/AMCONSUL CIUDAD JUAREZ 0138  
RUEHIT/AMCONSUL ISTANBUL 0141  
RULSDMK/DEPT OF TRANSPORTATION WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC

UNCLAS LAGOS 000130

SIPDIS

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SUBJECT: NIGERIAN AIRLINES FACE INCREASED CAPITAL REQUIREMENTS

¶1. (SBU) Summary: Beginning in April, Nigerian airlines will have to meet new capitalization requirements or cease operations. Nigerian Civil Aviation Authority (NCAA) Director, Air Transport Regulations Alfred Famodimu predicted that, of Nigeria's 22 domestic airlines, five major airlines would successfully complete the recapitalization exercise. End summary.

¶2. (U) As of April, airlines will have to meet new capitalization requirements or cease operations. On January 18, Aviation Minister Femi Fani-Kayode announced the new requirements: airlines flying domestic routes will need a capital base of N500 million, as opposed to the current N20 million; those flying regional routes, which include Africa and the pilgrimage routes to Saudi Arabia and Jerusalem, will require N1 billion, up from N500 million; and operators of international and intercontinental routes will need a capital base of N2 billion rather than the current N1 billion. NCAA Director, Air Transport Regulations Alfred Famodimu explained an airline's capital base would be valued to include all existing assets, such as office space, hangars, and aircraft. Airlines with more capital would have better insurance coverage, Famodimu explained, and would be more likely to have better equipment, maintenance, and crew training than smaller airlines.

¶3. (SBU) Nigerian Civil Aviation Authority (NCAA) Director General (DG) Harold Demuren confirmed that the recapitalization requirements would take effect April 1. Of the current 22 domestic airline operators, Famodimu said he expected five major airlines - Virgin Nigeria, Arik Air, Bellview, Aero Contractors, and Chanchangi - would successfully complete the recapitalization exercise. Those that would be most negatively affected are the small one- and two-aircraft operators that operate the heavily traveled Lagos-Abuja and Lagos-Port Harcourt routes.

Comment  
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¶4. (SBU) Comment: Following recent air crashes in the country, there have been calls for the GON to impose on the aviation sector the type of recapitalization requirements similar to the one that led to consolidation in the banking sector. Incorporated into the recommendations of the Presidential panel on aviation, the recapitalization is expected to help improve safety and security to the extent that more funds would be available for operators to procure and maintain equipment and train personnel. While laudable and welcome, this policy is not enough. The GON needs to focus on reforms to the aviation regulatory bodies (NCAA, Nigerian Airspace Management Agency, Federal Airport Authority of Nigeria, and Nigerian Meteorological Agency) to make them independent of the Aviation Ministry and funded sufficiently to carry out their

statutory functions. End comment.